

PUBLIC SESSION MINUTES
North Carolina State Board of CPA Examiners
September 19, 2005
1101 Oberlin Road
Raleigh, NC 27605

MEMBERS ATTENDING: Leonard W. Jones, CPA, President; Arthur M. Winstead, Jr., CPA, Vice President; Jordan C. Harris, Jr., Secretary-Treasurer; Norwood G. Clark, Jr., CPA; Tyrone Y. Cox, CPA; Thurman L. Gause; and Michael C. Jordan, CPA.

STAFF ATTENDING: Robert N. Brooks, Executive Director; J. Michael Barham, CPA, Deputy Director; Mary Beth Britt, Assistant-Professional Standards; Lisa R. Hearne, Manager-Communications; Ann J. Hinkle, Manager-Professional Standards; Paulette Martin, Specialist-Professional Standards; Lisa Moy, Assistant-Licensing; Buck Winslow, Manager-Licensing; and Jack Nichols, Legal Counsel.

GUESTS: James T. Ahler, Executive Director, NCACPA; Tom Chenoweth, CPA, Highland Publishing Company; Curt Lee, Past President, NCSA; and Rick Niswander, CPA, President-Elect, NCACPA.

CALL TO ORDER: President Jones called the meeting to order at 10:02 a.m.

MINUTES: The minutes of the August 22, 2005, meeting were approved as submitted.

FINANCIAL AND BUDGETARY ITEMS: The financial statements for August 2005 were accepted as submitted.

Messrs. Harris and Jordan moved to accept the Board audit report for the year ending March 31, 2005. Motion passed (Appendix I).

LEGISLATIVE AND RULE-MAKING ITEMS: President Jones convened the rule-making hearing to hear public comment. Rick Niswander, CPA, representing the NCACPA, presented oral comments. Written comments received as of this date and the comments presented at the hearing will be part of the public record of the hearing. The hearing was adjourned.

NATIONAL ORGANIZATION ITEMS: The Board reviewed the proposed NASBA by-law changes to be voted on at the NASBA Annual Meeting.

Messrs. Jones, Brooks, and Barham reported on the CBT Exam Conference held in Washington, DC, on September 14, 2005.

REPORT OF THE PROFESSIONAL STANDARDS COMMITTEE: Mr. Winstead moved and the Board approved the following recommendations of the Committee:

200412-056 - Close the case without prejudice due to the individual withdrawing his request for a public hearing and requesting inactive status.

200412-056 - Approve a Notice of Hearing for November 21, 2005, at 10:00 a.m.

200411-048 - Close the case without prejudice.

200505-036 - Close the case without prejudice.

200508-047 - Approve a Notice of Hearing for November 21, 2005, at 10:00 a.m.

REPORT OF THE PROFESSIONAL EDUCATION AND APPLICATIONS COMMITTEE: Mr. Gause moved and the Board approved the following recommendations of the Committee:

Original Certificate Applications - The following were approved:

Kristy Robinson Babcock
Lisa Bright Barnette
Andrea Lynn Barringer
Jamezetta Ranay Bedford
Marcia Helene Benz
Jenny Lee Berryhill
Priscilla Bullock
Mary Lynne Caldwell
Cara Elizabeth Castellino
Charles Thomas Choplin
Aimee Davis Coleman
Juliana Lea Cookson
Jillianne Marie Cox
Jolene Renee Csatos
Eric Fong de Leon
Christopher David Elmore
Amy Cray Erwin
Donna S. Foust
Melissa Denise Geraghty
Julie Suzanne Hager
Harriet Wetherbee Hight
Crystal Conrad Hill
Erin Leigh Hughes
Sherry Mitchell Jones
David Stephenson Lee
Jennifer Suzanne Light

Leslee Bagwell Loggans
Karen Diane Ludwick
Tonya L. Marshall
Woodrow Scott McDonald
Laura Lynne Megahee
Kimberly Kiser Miller
Melissa Hill Morris
Tara Dye Peebles
Anthony Wayne Perry Jr.
Erin Renae Pilchick
Tonia H. Reed
Heather Brown Royal
Tracey Nicole Ruff
Adam Ryan Scephurek
Christopher Don Seaman
Christopher John Sellman
Saya Doe Sio
Angela Hale Spry
James Townsend Sullivan Jr.
Elizabeth Butler Thompson
Rena Lou Wear
Ryan A. Wheatley
H. Clay Whiteheart
Adam Thornton Wilson
David Thomas Winters
Matthew Peter Yale

Reciprocal Certificate Applications - The reciprocal certificate application submitted by Denise Renee Haga was approved.

Temporary Permits - The following temporary permits were approved by the Executive Director and ratified by the Board:

Jonathan B. Campbell T03328
Edward Cho T03329
Jesse Clements Lodge III T03330
Brian Michael Passarelli T03331
Thomas J. Phelan T03332
Darren L. Brady T03333

Daniel Lee Goldberger T03334
Swati Mehta T03335
Daryl Daniel Mennen T03336
Donald Rudolph Schroeder T03337
Danielle J. Sweeney-Alisesky T03338
Clint Syvinski T03339

Reinstatements - The following were approved:

Valerie Lynn Stepp #25631
John Thornton Walsh #25510

Joan Valerie Ward #19360

Reissuance of New Certificate - An application for reissuance of new certificate and consent agreement submitted by Peter John Lauria (#18949) was approved.

Firm Registrations - The following professional limited liability companies and limited liability partnerships were approved by the Executive Director and ratified by the Board:

CLAUDE M. BOGUES, CPA, PLLC
TIMOTHY C. CORNELISON, CPA, PLLC
LEONARD PLLC

Alyson Miller CPA, PLLC
WESTHEIMER SHUMBERG LLP

CPE Matters - The Committee reviewed and disapproved the following ethics courses:

CPE Depot
Professional Tax Institutes Incorporated

SmartPros

Conditional Licenses - The Committee placed the following certificates on conditional status:

Hugh James Toland Jr. 2138
James Franklin Baker 3096
JoAnn Farnsworth 3691
Robert McRoy Parsons 4162
Wilson McGregor MacEwen 5535
Stephen Taylor Martin 8793
Lee Edward Sanders 9016
James Warren Clark III 9268
Robert Speight Melton Jr. 9883
Gary Howard Smith 9913
Terray Fred Suggs 10133

Ray Allen Lyles 10843
Paul Dean Smith 11564
Larry Edwin McLamb 11580
Anthony Grayson Chavonne 11706
Worley Franklin Minton Jr. 11850
Thomas Harold Allgood 12108
James Douglas Panton 12391
Daniel Anthony Marbell Jr. 12462
Albert Henry Austin III 12470
Charles Olandis Simmons 12479
Gary Dale Burkette 12575

Willie Closs Jr. 12702
Roy Taylor Lilley 13230
Bradley Bissette Warren 13700
Glen Paul Pinkston 13751
Stuart Wynn Gibbs Jr. 13789
Mary Ann Rouse 14612
James Carroll Melton 14747
Solomon Alfred Pegram Jr. 14886
James William Bean Jr. 15035
William Olin Green 15074
Henry Clyde Lomax Jr. 15090
Hugh Glenn Horton III 15189
Scott Mitchell Klesmer 15252
Jerry Alan Kimbro 15756
Dawnel Bell Nanney 15879
Jeffrey Donell Creech 15976
Kenneth E. Hauser 16201
Kevin Ritchie Herman 16250
Campbell Tally 16605
Patrick Rowe McNair 16648
Samuel Alfred Floyd 16727
Leslie Jessup Fitzpatrick 16747
Charles Vernon Rouse Jr. 16792
Barrie Leigh Little Wiggins 16947
Scott Ernest Richardson 17072
Charles Lee Ward III 17091
Tony Lee Tucker 17347
Henry Stuart Parker Jr. 17423
William Dunford Harrison 17502
Janice Janette Martin Gearheart 17710
Susan Jones Hill 18020
Donna Lambert Rogers 18182
Rosalie Madeleine Thomas 18188
John Maurits Modin 18232
James Aloysius Cain IV 18288
Frederick Schipman Johnston 18312
Jeanna Gantt Kerley 18314
Mark Charles Rehm 18334
Thomas Lee Churchwell Jr. 18576
Linda Birkin Tigges 19090
Olivia Ann Taylor 19268
Mary Gail Freeman 19404
Carrie Morris Koontz 19415

Nathaniel Perkinson Hayes III 19620
Wendell Chester Spruill III 19689
Darwin Edward Bowman 19726
David Duane Johnson 19761
Linda N. Davis 19829
Carolyn Smith Kirsh 19888
Thomas Henry Weir III 19913
Steven Talmadge Kirkman 20322
Robin H. Poythress 20326
David Kelvin Raye 20424
Mary E. Higgins 20491
Walter Richard Peck III 20885
Barbara Mobley Kuley 20935
Marcie Hartner Blong 20981
Sharon Anne Braun 21054
Mark Jefferson Rhyne 21128
Cynthia Lynn Smith 21232
Joseph Neal Council 21469
Kimberly McArdle Wickre 21542
Erna Julie Woodward 21719
Connie L. Tyson 21748
Benny Lee Baker 21754
Nathan Taylor Garrett Jr. 21965
William Craig Jones 22313
Sharon Lynn Jennings LoSapio 22603
Kenneth M. Peyton 22671
Peter Raul Cabrera 23015
Ronald Marcus Stanley Jr. 23077
Neal Chandler Brislin 23337
Karen Rae Allen 23347
Kristin Ennis Meehan 23421
Melanie Bowers Monaghan 23455
Todd Wesley Alden Barbour 23619
Sharon Davis Warden 23779
Eric Bryan Schachner 23958
Tara Nowell Morgan 24025
Wilma Jean Wilson 24190
Paul Daniel MacDonald 24360
Amy Corinne Mosebach 24439
Shannon Teague Watters 24451
Jamie O. Kelly 24629
Daniel David Hattendorf 24649
Kathryn E. Kilcrease 24653

James Richard Duncan 24689
Regina Louise Gunnet 24805
Donna Swift Mabe 24819
Sandra Elaine Mattos 24918
Jennifer Gardiner Kaelin 25115
Joshua Lawrence Goldberg 25178
Melissa Lofton Miller 25198
Carla Martin Shumate 25219
John Prescott Sabiston 25603
Kathy Massie Keough 25868
Michelle Finney Miller 26110
Michael Charles Azzarita 26192
David Timothy Hall 26228
Caryn Lasar Ashapa 26252
Charles L. Holland II 26715
Barry Christopher Compton 26756
Jimmy Louis Griffin 26809
Bonnie Sue Neel 26824
James Leonard Vitt 26834
Terri C. Daughenbaugh 26917
David Matthew Bachmann 27012
Kristine R. Jones 27151
Margaret F. Stampley 27423
Bentley F. Smith 27498
Marsha Bailey Krings 27545
Steven C. Hile 27619
Sidney Elizabeth Small 27649
Kimberly Avonee Ferreira 27691
Orestes R. Verdura 28031
Todd Webb Gaylord 28109
Annette J. Hall 28113
Carrie Ann Lackey 28127
Jamal Afif Odeh 28145
Margaret Denise Johnson 28267
Kevin Michael McColgan 28353

Amy M. Hrinsin 28562
Misty Ann O'Bryan 28589
Matthew Lane Willis 28620
Jason Ferebee Simpson 28812
Cheryl Renee Watkins 28884
Suzan Rayfield Maddox 28906
Shannon Lynn Manning 28907
Megan E. Schaap 29139
John Troy Carpenter 29272
Stephanie Vorwig Crone 29310
Matthew Alan Ramsey 29378
Larry E. Tarwater 29401
Deborah Fleischman 29592
Michael Wayne Cook 29632
Terri Nicole Knotts 30027
Andrea Travis Wilcox 30035
Josie Crowe McDonald 30054
Howard A. McDonald 30350
Tracy Shawn Miller 30395
Theodore Louis Perrella 30425
Si Young Park 30471
Brenda Yoojung Chae 30482
Kathy Brooks Smith 30554
Christian M. Kurtz 30602
Wade Edwin Kruse 30639
Thomas Marshall Ellison 30745
Norman Mallone Chandler 30781
Stephanie Lynn Roberts 30787
Robin Mark Rigg 30874
Nicole Suzette Velasco 30882
Bonnie J. Sames 31033
James Spencer Austin 31040
William L. Bland Jr. 31096
Nicole Jeanine Olesen 31136

The following individuals were referred to the Professional Standards Committee for a second offense:

Timothy Jerome Floyd 8418
George Baskette Walker 10394
Judith Taylor Von Thron 13666
Robert Wayne Wilhelm 13919

Christopher Alan Lawing 17039
Lisa S. Randel 19545
Patricia K. London 20483
Paul Rogers Anderson 20598

Michael Anthony Winner 21872
Carmela Kim Wagner 21941
Peter Adams Wagner 22368
Michelle Collier Adkins 22788
Tammy Kay Bolz Bridges 22848
Erin McCarthy 24833
Thomas Patrick Dunleavy 26697

Andrew M. Glickler 28638
Daphne Haith Pinchback 28723
Jack Norman Rose 28963
Amy Brooks 28987
Allison Canner Ray 29069
Dana Matthews Jones 29370
Richard Lee Burdeshaw 30085

The Committee reviewed a request from Jeffrey Lionel Mott (#15585) to rescind his conditional license. The Committee approved his request.

Examinations - The Committee reviewed and approved the following staff-approved applicants to sit for the Uniform CPA Examination:

Bobbi Jo Adams
Donna Maria Alston
Rebecca Lynn Anderson
James Keith Askew
Jeffery Bruce Baker
Melanie Gail Baker
Natalie Sawyer Banks
Krisha Dawn Baxter
James Emory Benfield
Michael William Bingham
John Alexander Bitsas
Dana Christa Boyer
Tara Krin Brewer
Jody Hayes Bridgers
Colleen Kelly Brophy
Crystal Michelle Butler
Nina Alphin Butts
Holly Lynn Chamra
Shane Sheng-Muh Chang
Lo Tsz Cheng
Mary V. Chilton
Kimberly Michelle Clark
Lauren Ashley Cooke
Rebecca Deanne Crider
Jonathan George Davis
Mary Griffin Debnam
Laura Hope Demski
Angela Collins Dew
John Coatsworth Dutton Jr

Marilyn Miller Dutton
Amanda Dawn Edwards
Christopher Kevin Eller
Amy Gomez Fergus
Sheila Ann Fitts
Jonathan Theodore Foster
Steven Daniel Frazier
Christy Leigh Freeman
Sara Paige Gardner
Nancy Craig Gibson
Cathy R. Golding
Kameron Hope Gress
Bethany Ann Gunter
Steven Douglas Hale
Jennifer Marie Hardwick
Brittany Leigh Harrill
Brennan Michael Hay
David Alan Hedges
Connie Booth Hensley
Paula Lee Hester
Laura Katharine Hughes
Sally Elizabeth Hughes
Kenneth Richard Ickes
Elizabeth John
April Nicole Keller
Coella Annette King
Philip Charles King
Brian W. Lee
Joseph Paul Leftwich

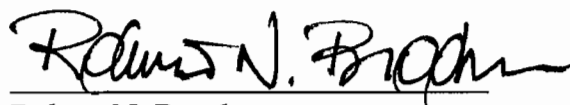
David Lee Little
Jie Liu
Antontte Latrice Lockett
Hassaan Ahmad Malik
Kaoru Matsumiya
Lori Ann McClellion
ShaRhonda Renee McClure
Becki R. McKenzie
Ellen C. McNally
Stephanie Anne Moses
Melissa Dawn Mullaney
Katie Leigh Myers
Anne Nicole Napier
Michael Gene Nichols
Angel Ham Nolen
Nancy Marie Ovellette
Sabrina Elizabeth Parris
Olga Pazuk
Leshawn Yvetta Peckham
Angela Mains Powell
Cristina Madrinan Rivera
James Vincent Rubright
Robynn R. Rutledge

Eugene Courtney Saunders
Erica Jean Schroeder
Diane Marie Schwager
Lianfen She
David Myron Shiffert
Calvin Earl Slade
Amber Michelle Smith
Lindsey Frady Sowers
Teresa Ann Stembridge
David Lee Stroupe
Amy Beth Sullivan
Suzanne Marie Toruk
David Jacob Townsend
Daniel J. Valenti
Yelena Sergeyevna Vitman
Ryan Lance Walton
Xiaoying Wang
Kristen Louise Weichel
Barbara J. Willingham
Li Xu
Jennifer Varner York
Amy L. Yuen

ADJOURNMENT: Messrs. Winstead and Clark moved to adjourn the meeting at 11:49 a.m.
Motion passed.

Respectfully submitted:

Attested to by:



Robert N. Brooks
Executive Director



Leonard W. Jones, CFA
President

**NORTH CAROLINA STATE BOARD
OF CERTIFIED PUBLIC ACCOUNTANT EXAMINERS**

FINANCIAL STATEMENTS

**FOR THE FISCAL YEARS ENDED
MARCH 31, 2005 AND 2004**

NORTH CAROLINA STATE BOARD OF
CERTIFIED PUBLIC ACCOUNTANT EXAMINERS

FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

FOR THE FISCAL YEARS ENDED MARCH 31, 2005 AND 2004

BOARD MEMBERS

Leonard W. Jones, CPA, President

Arthur M. Winstead, Jr., CPA, Vice-President

Jordan C. Harris, Jr., Secretary-Treasurer

Norwood G. Clark, Jr., CPA

Tyrone Y. Cox, CPA

Thurman L. Gause

Michael C. Jordan, CPA

EXECUTIVE DIRECTOR

Robert N. Brooks

DEPUTY DIRECTOR

J. Michael Barham, CPA

LEGAL COUNSEL

Noel L. Allen, Esq.

NORTH CAROLINA STATE BOARD OF CERTIFIED PUBLIC ACCOUNTANT EXAMINERS
FOR THE FISCAL YEARS ENDED MARCH 31, 2005 AND 2004

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NORTH CAROLINA STATE BOARD OF CERTIFIED PUBLIC ACCOUNTANT EXAMINERS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED MARCH 31, 2005

The following is a discussion and analysis of the Board's financial performance for the fiscal year ended March 31, 2005. Please read it in conjunction with the financial statements which follow this section.

Financial Highlights

The Board's capital assets increased by \$23,028, or 2.22%, due primarily to the purchase of new computers for all employees and the purchase of software licenses for a new system.

Total net assets increased by \$31,107, or 1.29%, due primarily to an increase in licensing fee revenue and interest income.

The operating revenues of the Board decreased \$60,500, or 3.5%, due primarily to a decrease in the examination fee revenue due to higher passing rates and fewer candidates sitting for the Uniform CPA Examination.

The net non-operating revenues of the Board decreased \$26,665, or 35.51% due primarily to the termination of lease agreements during the previous fiscal year therefore eliminating rental income. The Board plans to advertise space for lease during the 2005 – 2006 fiscal year.

The operating expenses of the Board increased by \$64,481, or 3.98%, due primarily to an increase in salaries and benefits due to the hiring of a Deputy Director in January 2004. Computer software expenses increased due to the purchase of software for all employees.

Overview of the Financial Statements

This discussion and analysis is an introduction to the Board's basic financial statements, which are comprised of two components: 1) financial statements, and 2) notes to financial statements. This report also contains required supplementary information in addition to the basic financial statements.

Basic Financial Statements

The financial statements of the Board report information about the Board using accounting methods similar to those used by private sector companies. These statements offer short and long-term financial information about the activities of the Board.

The Statements of Net Assets (page 5) present the current and non-current portions of assets and liabilities separately.

The Statements of Revenues, Expenses, and Changes in Net Assets (page 6) present information on how the Board's assets changed as a result of the year's operations.

The Statements of Cash Flows (page 7) present information on how the Board's cash changed as a result of the year's activity.

NORTH CAROLINA STATE BOARD OF CERTIFIED PUBLIC ACCOUNTANT EXAMINERS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED MARCH 31, 2005

Basic Financial Statements – Continued

The following presents condensed financial information on the operations of the Board:

	As of and for the fiscal year ended March 31, 2005	As of and for the fiscal year ended March 31, 2004
Current assets	\$ 1,874,517	\$ 1,732,177
Capital assets	1,059,230	1,036,202
Total assets	<u>2,933,747</u>	<u>2,768,379</u>
Current liabilities	449,373	319,757
Non-current liabilities	35,839	31,194
Total liabilities	<u>485,212</u>	<u>350,951</u>
Invested in capital assets	1,059,230	1,036,202
Unrestricted	1,389,305	1,381,226
Total net assets	<u>\$ 2,448,535</u>	<u>\$ 2,417,428</u>
Operating revenues	\$ 1,670,708	\$ 1,731,208
Operating expenses	1,688,027	1,623,546
Operating income	(17,319)	107,662
Non-operating revenues	48,426	75,091
Change in net assets	<u>\$ 31,107</u>	<u>\$ 182,753</u>

A comparison of budget to actual operations is presented in the schedule on page 16. Budget estimates for exam fee revenues and exam sitting and grading fees were estimated without historical data because of the transition to the new computerized exam. Actual expenses were over budgeted amounts, primarily due to exam expenses; however, exam revenues were also over budgeted amounts.

Events Affecting Future Operations

Effective July 1, 2005, the Prometric Testing Centers that administer the computer-based exam will increase the hourly seat fee by \$5.50 per hour. The Board will increase the exam vendor fees charged to exam candidates by the same amount resulting in an increase in exam fee revenues and expenses. The Board's administrative fee for initial exam applicants and re-exam applicants will not increase.

NORTH CAROLINA STATE BOARD OF CERTIFIED PUBLIC ACCOUNTANT EXAMINERS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED MARCH 31, 2005

Contacting the Board's Management

This financial report is designed to provide a general overview of the Board's finances and to demonstrate the Board's accountability for the money it receives. If you have any questions about this report or need additional information, contact: North Carolina State Board of Certified Public Accountant Examiners, PO Box 12827, Raleigh, NC 27605-2827.

BOYCE, FURR & COMPANY, LLP
CERTIFIED PUBLIC ACCOUNTANTS
RALEIGH, NORTH CAROLINA

INDEPENDENT AUDITORS' REPORT

Governor Michael Easley
The General Assembly of North Carolina
North Carolina State Board of
Certified Public Accountant Examiners

We have audited the statements of net assets of the North Carolina State Board of Certified Public Accountant Examiners as of March 31, 2005 and 2004, and the related statements of revenues, expenses and changes in net assets, and cash flows and for the fiscal years then ended. These financial statements are the responsibility of the Board's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the North Carolina State Board of Certified Public Accountant Examiners as of March 31, 2005 and 2004, and the results of its operations, changes in financial position, and cash flows for the fiscal years then ended in conformity with accounting principles generally accepted in the United States of America.

Management's Discussion and Analysis is not a required part of the financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit this information and express no opinion on it.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary schedules listed in the accompanying table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

May 25, 2005

Boyce, Furr & Company, LLP

NORTH CAROLINA STATE BOARD OF CERTIFIED PUBLIC ACCOUNTANT EXAMINERS
STATEMENTS OF NET ASSETS
AS OF MARCH 31, 2005 AND 2004

ASSETS	2005	2004
Current assets		
Cash and cash equivalents	\$ 675,871	\$ 789,762
Certificates of deposit	1,150,647	895,000
Accrued interest receivable	47,999	44,054
Prepaid insurance	-	3,361
Total current assets	<u>1,874,517</u>	<u>1,732,177</u>
Capital Assets		
Land	300,000	300,000
Building	659,823	688,151
Furniture	612	882
Equipment	33,432	27,021
Software	51,750	-
Vehicle	13,613	20,148
Total capital assets-net of depreciation	<u>1,059,230</u>	<u>1,036,202</u>
 TOTAL ASSETS	 <u>2,933,747</u>	 <u>2,768,379</u>
LIABILITIES		
Current liabilities		
Accounts payable	38,931	23,074
Due to exam vendors	208,117	97,658
Deferred revenue	202,325	199,025
Total current liabilities	<u>449,373</u>	<u>319,757</u>
Noncurrent liabilities		
Accrued vacation	35,839	31,194
Total noncurrent liabilities	<u>35,839</u>	<u>31,194</u>
 TOTAL LIABILITIES	 <u>485,212</u>	 <u>350,951</u>
NET ASSETS		
Invested in capital assets	1,059,230	1,036,202
Unrestricted net assets	<u>1,389,305</u>	<u>1,381,226</u>
 TOTAL NET ASSETS	 <u>\$ 2,448,535</u>	 <u>\$ 2,417,428</u>

The accompanying notes are an integral part of these financial statements.

NORTH CAROLINA STATE BOARD OF CERTIFIED PUBLIC ACCOUNTANT EXAMINERS
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

	For the Fiscal Years Ended March 31	
	2005	2004
OPERATING REVENUES		
Examination fees		
In state and out of state candidates	\$ 695,125	\$ 772,893
Other	1,050	2,000
	<u>696,175</u>	<u>774,893</u>
Licensing fees		
Certificate fees	899,155	881,076
Professional corporation fees	32,635	29,390
Partnership registration fees	29,590	27,970
Quality review registration fees	-	75
	<u>961,380</u>	<u>938,511</u>
Other		
Sale of labels and lists	11,626	16,225
Miscellaneous	1,527	1,579
	<u>13,153</u>	<u>17,804</u>
TOTAL OPERATING REVENUES	<u>1,670,708</u>	<u>1,731,208</u>
OPERATING EXPENSES		
Administrative (page 14)	1,261,569	1,144,946
Examination (page 15)	395,104	438,807
Building (page 16)	31,354	39,793
TOTAL OPERATING EXPENSES	<u>1,688,027</u>	<u>1,623,546</u>
OPERATING INCOME (LOSS)	<u>(17,319)</u>	<u>107,662</u>
NON-OPERATING REVENUES (EXPENSES)		
Rental income	-	38,288
Interest income	72,333	64,339
Gains (loss) on sale/disposition of equipment	(2,118)	115
Building expenses (page 16)	(21,789)	(27,651)
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>48,426</u>	<u>75,091</u>
CHANGE IN NET ASSETS	31,107	182,753
NET ASSETS - BEGINNING OF YEAR	<u>2,417,428</u>	<u>2,234,675</u>
NET ASSETS - ENDING OF YEAR	<u>\$ 2,448,535</u>	<u>\$ 2,417,428</u>

The accompanying notes are an integral part of these financial statements.

NORTH CAROLINA STATE BOARD OF CERTIFIED PUBLIC ACCOUNTANT EXAMINERS
STATEMENTS OF CASH FLOWS

	For the Fiscal Years Ended March 31	
	2005	2004
Cash flows provided from (used for) operating activities		
Cash received from fees	\$ 1,660,855	\$ 1,376,288
Other cash received	13,153	17,804
Cash payments to employees for services	(568,447)	(512,727)
Cash payments for administrative, examination, and building expenses	(951,489)	(982,089)
Net cash provided from (used for) operating activities	<u>154,072</u>	<u>(100,724)</u>
Cash flows provided from (used for) capital and related financing activities		
Acquisition and construction of capital assets	(70,551)	(21,967)
Proceeds from the sale of assets	20	115
Loan payoff - vehicle	-	(22,689)
Net cash used for capital and related financing activities	<u>(70,531)</u>	<u>(44,541)</u>
Cash flows provided from (used for) investing activities		
Proceeds from maturing certificate of deposit	95,000	-
Purchase of certificates of deposit	(350,647)	(95,000)
Interest on investments	68,390	63,915
Rental income - less building expense of \$10,175 (2005) and \$15,004 (2004)	(10,175)	23,284
Net cash used for investing activities	<u>(197,432)</u>	<u>(7,801)</u>
Net decrease in cash	(113,891)	(153,066)
Cash - beginning of year	<u>789,762</u>	<u>942,828</u>
Cash - end of year	<u>\$ 675,871</u>	<u>\$ 789,762</u>
Reconciliation of operating income (loss)		
to net cash provided from (used for) operating activities		
Operating income (loss)	\$ (17,319)	\$ 107,662
Adjustments to reconcile operating income (loss)		
to net cash provided from (used for) operating activities:		
Depreciation	33,769	34,135
Changes in assets and liabilities		
Prepaid insurance	3,361	(3,361)
Accounts payable	15,857	(906)
Due to exam vendors	110,459	97,658
Deferred revenue	3,300	(337,115)
Accrued vacation	4,645	1,203
Total adjustments	<u>171,391</u>	<u>(208,386)</u>
Net cash provided from (used for) operating activities	<u>\$ 154,072</u>	<u>\$ (100,724)</u>

The accompanying notes are an integral part of these financial statements.

NORTH CAROLINA STATE BOARD OF CERTIFIED PUBLIC ACCOUNTANT EXAMINERS
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED MARCH 31, 2005 AND 2004

Note 1 - Nature of Activities and Significant Accounting Policies

Description of Organization

The North Carolina State Board of Certified Public Accountant Examiners is an independent State agency. It is an occupational licensing board and is authorized by Chapters 93 and 93B of the North Carolina General Statutes (NCGS). The Board is composed of seven members: five persons who are holders of valid and unrevoked certified public accountant certificates issued under the provisions of NCGS 93, and two persons who are not certified public accountants and represent the public at large. All members are appointed by the Governor.

The Board's primary responsibilities are to administer the Uniform CPA Examination, to grant certificates of qualification as certified public accountants to qualified persons, to register certified public accounting firms, and to enforce all statutes and rules of NCGS Chapter 93, and the North Carolina Administrative Code, Title 21, Chapter 8.

The Board's operations are financed with self-generated revenues from fees charged to examinees and licensees. As of March 31, 2005 and 2004, the Board had approximately 16,848 and 16,783 licensees, respectively.

Basis of Presentation

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting principles and reporting standards. The Board applied all applicable Financial Accounting Standards Board (FASB) pronouncements issued after November 30, 1989.

All activities of the Board are accounted for within a single proprietary (enterprise) fund. Proprietary funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the cost of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

Reporting Entity

GASB Codification Section 2100 has defined the governmental reporting entity to be the State of North Carolina because the State exercises oversight responsibility in that the Governor appoints the Board members, and public service is rendered within the State's boundaries. The accompanying financial statements present only the activity of the North Carolina State Board of Certified Public Accountant Examiners. Annually, the State of North Carolina issues basic financial statements, which include the activity of occupational licensing boards.

Basis of Accounting

In accordance with *Statement of Governmental Accounting Standards 34*, the Board presents a Statement of Net Assets; a Statement of Revenues, Expenses, and Changes in Net Assets; and a Statement of Cash Flows. These statements reflect entity-wide operations of the Board. The Board has no fiduciary funds or component units.

NORTH CAROLINA STATE BOARD OF CERTIFIED PUBLIC ACCOUNTANT EXAMINERS
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED MARCH 31, 2005 AND 2004

Note 1 - Nature of Activities and Significant Accounting Policies, Continued

The Statement of Revenues, Expenses, and Changes in Net Assets demonstrates the degree to which the direct expenses of the Board are offset by examination and license fees.

The financial statements report all activities of the North Carolina State Board of Certified Public Accountant Examiners using the current financial resource measurement focus and the full accrual basis of accounting. Revenues are recognized in the accounting period in which they are earned and become measurable. Expenses are recognized when incurred, if measurable.

Operating revenues and expenses consist of those revenues and expenses that result from the ongoing principal operations of the Board. Operating revenues consist primarily of examination and license fees. Non-operating revenues and expenses consist of those revenues and expenses that are related to rental and investing types of activities and are classified as non-operating in the financial statements. Building expenses are allocated to operating and non-operating activities based on square footage.

Budget Practices

A budget for fiscal year ended March 31, 2005, was adopted by the Board and is prepared and reported on the accrual basis of accounting. Although budgeted amounts lapse at year-end, the Board retains its unexpended net assets to fund expenses of the succeeding year.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Board considers all investments with a maturity of three months or less when purchased to be cash.

Certificates of Deposit

As of the March 31, 2005 the Board owned the following certificates of deposit at local financial institutions:

<u>Maturity Date</u>	<u>Rate</u>	<u>Fair Value</u>
06/21/05	7.10%	\$ 857,489
10/07/05	2.01%	97,491
10/22/05	2.47%	98,202
01/05/06	3.00%	<u>97,465</u>
Total certificates of deposit		<u>\$ 1,150,647</u>

NORTH CAROLINA STATE BOARD OF CERTIFIED PUBLIC ACCOUNTANT EXAMINERS
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED MARCH 31, 2005 AND 2004

Note 1 - Nature of Activities and Significant Accounting Policies, Continued

Property and Equipment

Property and equipment are stated at cost and are being depreciated over their useful lives on a straight-line basis. The Board's policy is to capitalize property and equipment when acquired at a cost of \$500 or more. A summary follows:

	Beginning Balance	Additions	Retirements	Ending Balance
Land	\$ 300,000	\$ -	\$ -	\$ 300,000
Building	781,318	-	-	781,318
Furniture	121,946	-	(3,723)	118,223
Equipment	140,661	18,801	(29,576)	129,886
Software	-	54,058	-	54,058
Vehicle	32,672	-	-	32,672
Totals at historical cost	<u>1,376,597</u>	<u>72,859</u>	<u>(33,299)</u>	<u>1,416,157</u>
Less accumulated depreciation for:				
Building	(93,167)	(28,328)	-	(121,495)
Furniture	(121,064)	(269)	3,722	(117,611)
Equipment	(111,332)	(10,252)	25,130	(96,454)
Software	(2,308)	-	-	(2,308)
Vehicle	(12,524)	(6,535)	-	(19,059)
Total accumulated depreciation	<u>(340,395)</u>	<u>(45,384)</u>	<u>28,852</u>	<u>(356,927)</u>
Capital assets, net	<u>\$ 1,036,202</u>	<u>\$ 27,475</u>	<u>\$ (4,447)</u>	<u>\$ 1,059,230</u>

When an asset is disposed of, the cost of the asset and the related accumulated depreciation are removed from the financial records. Any gain or loss on disposition is reflected in the earnings for the period.

Vacation and Sick Leave

Board employees may accumulate up to thirty days earned vacation and such leave is fully vested when earned. The executive director may accumulate up to forty-five days earned vacation. On March 31, accrued vacation in excess of the limits is transferred and added to sick leave balances.

The Board's sick leave policy provides for an unlimited accumulation of earned sick leave. Since the Board has no obligation for the accumulated sick leave until it is actually taken, no accrual for sick leave has been recognized.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosures of contingent liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates, resulting in adjustments in future periods.

NORTH CAROLINA STATE BOARD OF CERTIFIED PUBLIC ACCOUNTANT EXAMINERS
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED MARCH 31, 2005 AND 2004

Note 2 - Deposits and Investments

Interest Rate Risk. As a means of limiting its exposure to fair value losses arising from rising interest rates and to protect principal, the board's investment policy limits its investments to maturities that coincide with required cash flows and to accounts and financial instruments of the highest quality as follows:

- (1) Obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States.
- (2) Obligations of the State of North Carolina.
- (3) Time deposits of financial institutions with a physical presence in North Carolina.

Custodial Credit Risk. The Board maintains accounts consisting of cash, certificates of deposit, and money market funds with one bank in which the Federal Depository Insurance Corporation (FDIC) insurance of \$100,000 per depositor was exceeded by \$1,335,707 on March 31, 2005. Management believes there is minimum credit risk relative to its cash investments. Throughout the fiscal year the Board's deposits exceeded the amounts insured by the Federal Insurance Depository Insurance Corporation.

Note 3 - Deferred Revenue

For both 2005 and 2004 certificate renewal fees collected in advance are recorded as deferred revenue at year-end and recognized as revenue when the license period begins in the next fiscal year. Due to the change from a pencil-and-paper exam to a computer-based exam, examination fee revenues are no longer deferred beginning in 2004. Examination fees for the computer-based-exam consist of both administrative fees and exam vendor fees. Administrative fees are recognized as revenues in the same period received to match administrative expenses incurred. Exam vendor fees are recognized as both revenue and expense in the same period.

Note 4 - Net Assets

Invested in capital assets - This component of net assets consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Unrestricted net assets - This component of net assets consists of net assets that do not meet the definition of *restricted* or *invested in capital assets*.

NORTH CAROLINA STATE BOARD OF CERTIFIED PUBLIC ACCOUNTANT EXAMINERS
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED MARCH 31, 2005 AND 2004

Note 4 - Net Assets, Continued

The Board has designated a portion of the unrestricted net assets to cover future activities. The Board may change such designated amounts based on perceived operating conditions and situations. Designated amounts, at March 31, 2005 and 2004 were as follows:

Litigation	\$ 500,000
Operating expenses	300,000
Capital asset acquisitions and/or improvements	250,000
Uniform CPA examination testing center	<u>100,000</u>
Total	<u>\$ 1,150,000</u>

Note 5 - Operating Leases

The Board's building lease agreements terminated during 2004. The Board plans to relocate staff to a portion of the space and lease the remaining space.

Note 6 - Pension Plan

The Board participates in the North Carolina Licensing Board Retirement Savings Plan, a defined contribution plan. A 6% contribution, based on eligible employee compensation, is made monthly by both employer and employee. Employees are eligible to participate in the plan immediately upon employment. Employees are vested 20% for each year of service and may make voluntary contributions to the plan over their 6% contribution. The 401(k) plan is administered by Wachovia Securities. Pension costs, including administrative fees, totaled \$31,449 and \$31,755 for 2005 and 2004, respectively.

Note 7 - Risk Management

The Board is exposed to various risks of loss related to torts; theft of, damage to, and the destruction of assets; errors and omissions; injuries to employees; and natural disasters. Tort claims of board members up to \$500,000 are self-insured by the State under the authority of the State Tort Claims Act. Additional coverage is provided to the Board under the State's \$5,000,000 public officers' and employees' liability insurance contract with a private insurance company. The Board also protects itself from exposures to loss through the purchase of commercial insurance, of which coverage includes building and contents, commercial liability, workers compensation and employers' liability, and vehicle.

NORTH CAROLINA STATE BOARD OF CERTIFIED PUBLIC ACCOUNTANT EXAMINERS
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED MARCH 31, 2005 AND 2004

Note 8 – Contract Commitment

The Board entered into a software and support contract in February 2005 requiring payments totaling \$81,750. Payments on the contract during the fiscal year ended March 31, 2005, totaled \$51,750. The Board anticipates future payments totaling \$30,000 will be made during the fiscal year ended March 31, 2006.

NORTH CAROLINA STATE BOARD OF
CERTIFIED PUBLIC ACCOUNTANT EXAMINERS

SUPPLEMENTARY SCHEDULES

NORTH CAROLINA STATE BOARD OF CERTIFIED PUBLIC ACCOUNTANT EXAMINERS
SUPPLEMENTARY SCHEDULES OF ADMINISTRATIVE EXPENSES

	For the Fiscal Years Ended March 31	
	2005	2004
ADMINISTRATIVE EXPENSES		
Salaries and employee benefits	\$ 733,837	\$ 669,907
Legal counsel and hearing expense	168,130	165,674
Postage	92,083	84,767
Travel and per diem - Board members	74,979	71,804
Printing	43,336	47,986
Staff travel	24,704	17,170
Office supplies	10,070	15,955
Depreciation	17,056	15,936
Computer software	16,845	-
Audit fees	7,010	11,375
Credit card fees for license renewals	17,267	10,297
Repairs and maintenance on equipment	9,768	7,850
Dues	7,030	7,090
Telephone	8,100	5,083
Insurance	4,525	1,375
Computer programming and assistance	4,089	-
Subscriptions	3,948	3,113
Internet website	2,678	1,881
Temporary contractors	2,440	-
Clipping service	2,435	1,690
Investigator fees	-	1,364
Payroll service	1,430	1,364
Miscellaneous	2,466	1,355
Equipment rental	954	1,021
Continuing education	4,607	389
Clerical expense - Board members	1,250	500
Banking fees	532	-
TOTAL ADMINISTRATIVE EXPENSES	\$ 1,261,569	\$ 1,144,946

NORTH CAROLINA STATE BOARD OF CERTIFIED PUBLIC ACCOUNTANT EXAMINERS
SUPPLEMENTARY SCHEDULES OF EXAMINATION EXPENSES

	For the Fiscal Years Ended March 31	
	<u>2005</u>	<u>2004</u>
EXAMINATION EXPENSES		
Examinations and grading	\$ 390,774	\$ 352,706
Rent of examination facilities	-	31,482
Proctor wages	-	27,544
Proctor travel	-	8,163
Postage	4,070	7,023
Staff travel	-	4,726
Printing	260	2,515
Travel and per diem - Board members	-	2,305
Temporary staff	-	972
Examination supplies	-	774
Miscellaneous	-	597
	<u> </u>	<u> </u>
TOTAL EXAMINATION EXPENSES	<u>\$ 395,104</u>	<u>\$ 438,807</u>

NORTH CAROLINA STATE BOARD OF CERTIFIED PUBLIC ACCOUNTANT EXAMINERS
SUPPLEMENTARY SCHEDULES OF BUILDING EXPENSES

	For the Fiscal Years Ended March 31	
	<u>2005</u>	<u>2004</u>
OPERATING BUILDING EXPENSES		
Depreciation	\$ 16,713	\$ 18,199
Improvements	-	7,263
Utilities	5,819	7,259
Maintenance	7,370	6,843
Insurance	<u>1,452</u>	<u>229</u>
TOTAL OPERATING BUILDING EXPENSES	<u><u>\$ 31,354</u></u>	<u><u>\$ 39,793</u></u>
NON-OPERATING BUILDING EXPENSES		
Depreciation	\$ 11,614	\$ 12,647
Improvements	-	5,047
Utilities	4,044	5,044
Maintenance	5,122	4,755
Insurance	<u>1,009</u>	<u>158</u>
TOTAL NON-OPERATING BUILDING EXPENSES	<u><u>\$ 21,789</u></u>	<u><u>\$ 27,651</u></u>

NORTH CAROLINA STATE BOARD OF CERTIFIED PUBLIC ACCOUNTANT EXAMINERS
SCHEDULE OF BUDGET AND ACTUAL
REVENUES, EXPENSES AND CHANGES IN NET ASSETS

	For The Fiscal Year Ended March 31, 2005			For The Fiscal Year Ended March 31, 2004		
	Budget	Actual	Over (Under) Budget	Budget	Actual	Over (Under) Budget
REVENUES						
Examination fees	\$ 550,792	\$ 696,175	\$ 145,383	\$ 620,180	\$ 774,893	\$ 154,713
Licensing fees	992,250	961,380	(30,870)	945,325	938,511	(6,814)
Other	102,000	83,368	(18,632)	144,158	120,546	(23,612)
TOTAL REVENUES	<u>1,645,042</u>	<u>1,740,923</u>	<u>95,881</u>	<u>1,709,663</u>	<u>1,833,950</u>	<u>124,287</u>
EXPENSES						
Personnel	803,534	767,272	(36,262)	804,654	669,907	(134,747)
Examination	360,322	395,104	34,782	351,050	438,807	87,757
Office	203,770	232,882	29,112	223,015	221,125	(1,890)
Board and legal	238,808	244,359	5,551	221,882	237,978	16,096
Building, net of rentals	27,904	24,816	(3,088)	74,536	36,598	(37,938)
Depreciation	-	45,383	45,383	33,281	46,782	13,501
TOTAL EXPENSES	<u>1,634,338</u>	<u>1,709,816</u>	<u>75,478</u>	<u>1,708,418</u>	<u>1,651,197</u>	<u>(57,221)</u>
CHANGE IN NET ASSETS	10,704	31,107	20,403	1,245	182,753	181,508
NET ASSETS - BEGINNING OF YEAR	<u>2,417,428</u>	<u>2,417,428</u>	<u>-</u>	<u>2,234,675</u>	<u>2,234,675</u>	<u>-</u>
NET ASSETS - END OF YEAR	<u>\$ 2,428,132</u>	<u>\$ 2,448,535</u>	<u>\$ 20,403</u>	<u>\$ 2,235,920</u>	<u>\$ 2,417,428</u>	<u>\$ 181,508</u>